The implementation difficulties of the procurement policy with reference to a low-cost housing programme: a South African contextualisation

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Introduction

- Evolution of public sector procurement policy (SA)
- Framework of the procurement policy
- Objectives of the procurement policy
- The implementation of the procurement policy
- Implications of the principles of procurement policy
- Factors affecting the implementation of the PPP
- Findings & Recommendations
Evolution of public sector procurement

- Reform process on the public sector procurement system;
  - Nov 1995 - a ten-point plan
  - April 1997 - a green paper on public sector procurement
  - Feb 2000 - PPPF Act 5 of 2000
  - August 2001 - preferential procurement regul.
Framework of the procurement policy

- Section 38(a)(iii) of the PFMA Act 1999 stipulate the AO for a dept. to have & maintain an appropriate PS
- The PP is conducted in accordance with the PPPF Act, 2000
- The archetypical framework of the PPP postulates a preferential point system
Cont. Framework of the procurement policy

- A preferential point system is as follows:
  - Contracts below R500,000, a formula of 80/20 must apply;
  - A formula of 90/10 is to be followed for contracts over R1 million in value

- Section 217 (1) of Const. SA, 1996—when procuring it must be in accordance with a system which is fair, equitable, transparent, competitive and cost-effective
Cont. Framework of the procurement policy

- In addition, Section 217 (2) of the Const. SA, 1996 stipulates that when implementing the procurement policy, the protection or advancement of persons disadvantaged by unfair discrimination must be considered.
Objectives of the procurement policy

- The primary objective - procurement process must be fair, equitable, transparent, competitive & cost-effective;
- The secondary objective - when allocating contracts, persons previously disadvantaged by unfair discrimination are awarded preference & protection
The implementation of the procurement policy

- SA provincial depts. Of LG & housing have created their own PPP
- In some provinces the following are deemed crucial when selecting contractors for housing projects: directorship, experience, company reg. Cert, VAT reg. & valid tax clearance
- In practice, these criteria is overly simplified and leads to corrupt activities
Cont. The implementation of the procurement policy

- Errors made as a result of procurement difficulties affect the low-cost housing.
- The PCC reported the housing backlog to be estimated at 2.1 mil. Housing units affecting 12 million people.
- The procurement policy further contributes significantly to the existing housing backlog.
<table>
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<tr>
<th>Province</th>
<th>Backlog 1995</th>
<th>Backlog 2001</th>
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<tr>
<td>Eastern Cape</td>
<td>149,397</td>
<td>361,271</td>
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<td>Free State</td>
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</tbody>
</table>

**Source:** Department of Housing, 1995-2001
Cont. The implementation of the procurement policy

- National housing code proviso has two phases of dev;
  - Phase I-dev, includes, land acquisition, town planning process, geotechnical investigation, environmental impact studies, & service instal.
  - Phase II-Service installation
  - Phase I-is supposed to be undertaken by municipalities, but due to capacity const. by municipalities, prov.depts of LG & housing have to begin with phase I
Implications of the principles of procurement policy

- Fairness, equitableness, transparency, competitiveness & cost effective;
  - Fairness—contracts awarded to those deserving
  - Equitableness—refers in part to fairness (levelling-of-the playing field)
  - Transparency—advertising contracts/tenders
  - Competition—contracts should compete
  - Cost-effective—tenders evaluated based on the value for money
Factors affecting the implementation of procurement policy

- Lack of effective implementation strategies
  - Absence of compliance with Housing Act, 1997
  - Fails to play an effective facilitative role

- Absence of security vetting
  - Evidence of low-cost housing & unscrupulous contractors

- Corruption within the procurement processes
  - Two fold, officials versus private contractors (bribery)
Cont. Factors affecting the implementation of procurement policy

- **M&E mechanisms**
  - Poor monitoring and evaluating the building process of low-cost housing

- **Inadequate involvement by government**
  - Gov. operates like a computer system with no emotions, thus it remains detached
  - Contractors-self monitoring
  - Therefore, this leads to increased housing backlog
Cont. Factors affecting the implementation of procurement policy

- **Limited capacity**
  - Project managers’ capacity is limited
  - Contractors manipulate this lack of regular supervision
  - PM are needed in office and the field
  - PM bombarded with multiple roles
  - PM play a crucial link between their depts & Service providers
Factors affecting the implementation of procurement policy

- Political interference
  - Due to nature of political power, politicians impinge in the procurement process
  - This affect the implementation of the PP dismally, hence the housing backlog
  - Political power corrupts the procurement system
Findings & recommendations

- skills audit/procurement policy is technical
- Autonomous procurement body charged with the onus of appointing contractors
- Strengthen M&E in the procurement process
- Improved Gov. involvement in the process
- Housing inspectors must be hired
- Project managers must be increased and should adhere to their func. No other things
I thank you!!!